

Message Text

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ACTION EA-09

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P 230638Z SEP 75

FM AMEMBASSY TAIPEI

TO SECSTATE WASHDC PRIORITY 7117

UNCLAS TAIPEI 6232

E.O. 11652: N/A

TAGS: EAID, TW, US

SUBJECT: SINO-AMERICAN FUND FOR ECONOMIC AND SOCIAL
DEVELOPMENT (SAFED)

REF : STATE 222782

FOLLOWING ARE EMBASSY RESPONSES TO QUESTIONS RAISED IN REFTEL:

1. FOR PERIOD FROM JULY 1, 1965 (WHEN SAFED WAS ESTABLISHED) THROUGH AUGUST 31, 1975, SAFED ACCOUNTS SHOWED CUMULATIVE RECEIPTS OF 24,265 MILLION NT DOLLARS AND CUMULATIVE WITHDRAWALS OF 22,967 MILLION NT DOLLARS. BALANCE OF 1,298 MILLION WAS MADE UP OF 1,110 MILLION IN CASH AND 188 MILLION IN SECURITIES. IN ADDITION, FUND CARRIED ACCOUNTS RECEIVABLE IN AMOUNT OF 13,351 MILLION NT DOLLARS.

2. CUMULATIVE RECEIPTS AS INDICATED ABOVE INCLUDED 571 MILLION NT DOLLARS DERIVED FROM US-OWNED LOCAL CURRENCIES (PL-480 SECTION 104(G) TRANSFERS FROM US ACCOUNT). THERE HAVE BEEN NO CURRENT RECEIPTS OF SECTION 104(G) FUNDS SINCE FEBURARY 1966.

3. ON A CUMULATIVE BASIS THE SOURCES OF ALL SAFED FUNDS IN PERIOD INDICATED ABOVE WERE AS FOLLOWS (IN MILLION NT DOLLARS):

A. COUNTERPART DEPOSITS	5,396
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B. SEC. 104(G)	571
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C. PROGRAM LOAN PROCEEDS	851
D. PL-480 TITLE IV PROCEEDS	1,685
E. LOAN REPAYMENTS AND INTEREST	15,683
F. MISCELLANEOUS RECEIPTS	79

CURRENT RECEIPTS COME MAINLY FROM LOAN REPAYMENTS AND INTEREST.
DURING FISCAL YEAR ENDED JUNE 30, 1975, TOTAL RECEIPTS
INTO FUND WERE 2,221 MILLION NT DOLLARS, MADE UP AS FOLLOWS:

A. COUNTERPART DEPOSITS	396
B. PROGRAM LOAN PROCEEDS	13
C. LOAN REPAYMENTS AND INTEREST	1,901
D. MISCELLANEOUS RECEIPTS	89 (CREDIT)

4. SAFED AGREEMENT (TIAS 5782) PROVIDES THAT FUNDS MAY BE USED FOR LOCAL US OFFICIAL COSTS PURSUANT TO ARTICLE V, PARA 3 OF SINO-US ECONOMIC AID AGREEMENT. BY DIPLOMATIC NOTE DATED AUGUST 11, 1965, USG NOTIFIED GROC OF ITS "EXPECTATION" THAT REQUIREMENTS FOR CHINESE CURRENCY WOULD BE LIMITED TO US EXPENSES IN CONNECTION WITH THE AID PROGRAM IN CHINA (TEXT OF NOTE PUBLISHED IN TIAS 5888). SAFED CURRENTLY CONTRIBUTES ABOUT 60,500 US DOLLARS ANNUALLY TO AID ACTIVITIES IN ROC. CONTRIBUTION COVERS (A) SALARIES AND BENEFITS OF SIX LOCAL EMPLOYEES; (B) SUPPORT COSTS OF AID REGIONAL COMMODITY MANAGEMENT PROGRAM; AND (C) AID'S SHARED ADMINISTRATIVE SUPPORT CONTRIBUTION TO EMBASSY (SEE TAIPEI 1699).

5. IN EMBASSY'S OPINION THERE IS NO LEGAL BASIS IN SAFED AGREEMENT FOR US TO REQUEST CONVERSION OF ANY PART OF FUND INTO US DOLLARS FOR RETURN TO THE TREASURY, AS LONG AS GROC IS OBSERVING ITS COMMITMENTS UNDER THE AGREEMENT. USG DOES HAVE RIGHT TO CONDUCT END-USE CHECKS AND INDEPENDENT AUDITS
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WITH RESPECT TO THE UTILIZATION OF THE FUND (SEE PARA D IN "GENERAL" SECTION OF SAFED AGREEMENT). AGREEMENT FURTHER PROVIDES AS FOLLOWS IN "GENERAL" SECTION:

"E. THE POSSIBILITY OF DOLLAR REFUNDS IN CONNECTION WITH ECONOMIC AID FURNISHED BY THE UNITED STATES IS NOT GREAT. IT IS UNDERSTOOD, HOWEVER, THAT THE GOVERNMENT OF THE UNITED STATES OF AMERICA

CAN GIVE NO GUARANTEE THAT SUCH REFUNDS MAY NOT
BE REQUESTED IN THE FUTURE AND, IF SO REQUESTED,
THEY MUST BE PAID AS PRESENTLY REQUIRED."

"F. IN THE EVENT DOLLAR REFUNDS ARE RECEIVED BY THE
GOVERNMENT OF THE UNITED STATES OF AMERICA FOR
COMMODITIES SUPPLIED TO THE GOVERNMENT OF THE REPUBLIC
OF CHINA AGAINST WHICH COUNTERPART FUNDS WERE
DEPOSITED TO THE COUNTERPART SPECIAL ACCOUNT,
IT IS UNDERSTOOD THAT RECEIPT BY THE GOVERNMENT
OF THE UNITED STATES OF AMERICA OF SUCH REFUNDS
CREATES NO OBLIGATION ON THE PART OF THE
GOVERNMENT OF THE UNITED STATES OF AMERICA
IN CONNECTION WITH THE COUNTERPART FUNDS SO
DEPOSITED."

FOR MORE DEFINITIVE ANSWER, THIS QUESTION PERHAPS SHOULD BE
REFERRED TO AID OFFICE OF GENERAL COUNSEL AND/OR LEGAL
ADVISOR OF DEPARTMENT.

6. FYI. THE ECONOMIC PLANNING COUNCIL (ECP) OF THE
EXECUTIVE YUAN SUBMITS FOLLOWING REPORTS MONTHLY TO OFFICE
OF CONTROLLER, USAID, PHILIPPINES, MANILA:

MONTHLY REPORT ON SAFED PROGRAM FUNDS
MONTHLY REPORT ON US AID SALES PROCEEDS ACCOUNT
COUNTERPART FUND ACCOUNT - SPECIAL A/C NO. 1,
SUMMARY OF RECEIPTS AND DISBURSEMENTS
ANALYSIS OF FUNDS TRANSFERRED TO SPECIAL A/C NO. 1.
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